Amendment No. 227: This amendment adds section 509 to the bill, for which there is no corresponding provision in the bill as passed by the House. Section 509 adds a new subsection (h) to section 442 (relating to abnormalities during the base period) which in general permits a taxpayer in certain cases, after selecting the 36 months in the base period which result in the highest excess profits net income or lowest deficit in excess profits net income, to eliminate from such 36 months the 12 months having the lowest excess profits net income, or highest deficit, and to use a substitute excess profits net income computed under section 442 (e) for such 12 months. As passed by the Senate, the provision was applicable only to a taxpayer which commenced business before the beginning of its base period and only if the aggregate of the excess profits net income for each of the 12 months for which a substitute excess profits net income is to be computed is less than 35 percent of one-half of the aggregate of the excess profits net income for each of the 24 months remaining after selecting the 12 months to be so adjusted.

The House recedes with technical amendments, and also adds other amendments which further limit the application of this new subsection. The first of these additional limitations requires that in order to be entitled to the benefits of subsection (h), the taxpayer's normal production, output, or operation must be interrupted or diminished because of the occurrence (in the 12 months prior to the period for which a substitute excess profits net income is computed) of events unusual or peculiar in the experience of the taxpayer. Under this limitation there is no requirement that a causal connection be shown between the event and a decline in excess profits net income in the period for which a substitute excess profits net income is to be used.

The second limitation added by the conference agreement appears as a new sentence added to paragraph (1) and prevents a taxpayer from using new subsection (h) in cases where the aggregate excess profits net income for the 24 months, which remain after selecting the 12 months for which a substitute excess profits net income is to be computed, is an amount less than zero.

Amendment No. 228: This amendment provides that in determining total assets under section 442 (f), to which factor the industry rates of return are applied in computing average base period net income under various excess profits tax relief formulas, the sum of the cash and other property included shall be reduced by the amount of the indebtedness (other than that included in the definition of borrowed capital) to a member of a controlled group which includes the taxpayer. The House recedes with an amendment changing the effective date from taxable years ending after the date of enactment of the bill to taxable years ending after June 30, 1950.

Amendment No. 229: This amendment changes section 443, which section provides for the case of a change in products or services occurring during the last 36 months of the base period, so as to include certain base period commitments. The House recedes.

Amendment No. 230: This amendment provides that in determining total assets under section 445 (c), which factor is used by a new corporation in computing its average base period net income for any of its first three years (if that year is an excess profits tax taxable year), the net capital addition or reduction shall be computed without regard

to the 75 percent limitation as to borrowed capital and loans to members of a controlled group. The House recedes.

Amendment No. 231: This amendment provides that a corporation engaged as a common carrier in the furnishing or sale of transportation of oil or other petroleum products (including shale oil) by pipeline shall be eligible to qualify under section 448 for the alternative excess profits credit provided for regulated public utilities if such corporation is subject to the jurisdiction of a public service or public utility commission or other similar body of the District of Columbia or of any State. The House recedes with an amendment requiring that the rates for such furnishing or sale be subject to the jurisdiction of the public service or public utilities commission.

Amendment No. 232: This amendment provides that for the purpose of filing a consolidated return with its railroad lessee corporation (using the alternative credit provided by section 448 for regulated public utilities), a railroad lessor corporation meeting certain requirements shall be considered a corporation subject to section 448. The House recedes.

Amendment No. 233: This amendment adds section 515 to the bill, for which there is no corresponding section in the bill as passed by the House. Section 515 allows to producers of potash, sulfur, and metallurgical grade and chemical grade limestone the alternative method for computing nontaxable income from exempt excess output provided in section 453 (b) (2) of the code where the properties were in operation during the normal period. Where these mineral properties were not in operation during the normal period, the net income from such properties is accorded the benefits of section 453 (b) (4) now available in the case of metal and coal mines, timber blocks, and natural-gas properties. The House recedes.

Amendment No. 234: This amendment, for which there is no corresponding provision in the House bill, adds section 459 (a) to the code to provide a special credit for certain corporations under specified circumstances relating to a transition from wartime to peacetime production and to an increase in peacetime capacity. The House recedes with clarifying amendments.

Amendment No. 235: This amendment adds section 517 to the bill. There is no corresponding section in the House bill. Section 517 amends section 459, as added to the code by section 516 of the Senate amendment No. 234, by adding a new subsection (b). This new subsection grants to a taxpayer which suffered a catastrophe during the last 36 months of its base period, if certain conditions are met, two alternative methods of computing its average base period net income. The taxpayer may use whichever results in the lesser excess-profits tax for the taxable year. The first alternative allows such a taxpayer to substitute for the excess profits net income for each month of the taxable year in which the catastrophe occurred, the average of the excess profits net income for the months in the base period preceding the taxable year in which the catastrophe occurred. If the taxpayer computes its average base period net income under the first alternative, it will not be denied the benefits of its base period capital addition. The second alternative allows the taxpayer to compute its average base period net income under the growth alternative of section 435 (e) (2) (G) (i) and (ii) of the code.

The House recedes with technical amendments which separate new subsection (b) into two paragraphs. The first paragraph sets forth eligibility requirements, and the second paragraph sets forth the computation of average base period net income under this subsection.

Amendment No. 236: This amendment, for which there is no corresponding provision in the House bill, adds a new subsection (c) to section 459 of the code, and is applicable in the case of a taxpayer engaged primarily in the newspaper-publishing business which, after the first half of its base period and before July 1, 1950, consolidated its mechanical, circulation, advertising, and accounting operations with such operations of another newspaper-publishing corporation in the same area. In order to be eligible for the benefits of this subsection the taxpayer must meet certain specified requirements.

In the case of a taxpayer eligible for the benefits of this subsection, the average base period net income under the Senate amendment shall be an amount computed under section 435 (d) plus an amount equal to the excess of the average of the amounts paid or incurred as expenses in the conduct of the mechanical, circulation, etc., operations during the two taxable years of the taxpayer next preceding the taxable year in which such consolidation began over such amounts paid or incurred during the first taxable year of the taxpayer beginning after such consolidation. The expenses referred to are those which are taken into account in computing net income. This section is inapplicable to any taxable year of the taxpayer unless the consolidation was continued throughout such taxable year.

The House recedes with amendments, one of which provides that the eligibility requirements in paragraphs (3) and (4) section 459 (c) shall be in the alternative. Another amendment provides that in determining the excess amount of expenses proper adjustment shall be made for increases in the unit cost of labor and newsprint (due to wage and price increases) following such consolidation. It is contemplated that such adjustment shall be made in accordance with regulations prescribed by the Secretary. The House also adds an amendment to provide for appropriate adjustments for any case in which a taxable year referred to in this new subsection is a period of less than 12 months.

Amendment No. 237: This amendment, for which there is no corresponding provision in the House bill, provides a special credit for corporations beginning the television broadcasting business before January 1, 1951. It provides for a computation of an individual rate of return in the case of corporations engaged in the radio and television broadcasting business and for an application of such rate of return (or of the industry rate of return for the industry which includes radio broadcasting) to the assets of the taxpayer employed in the radio and television broadcasting business, or in the case of an acquisition of the television broadcasting business after the base period, to its assets employed only in the television business. In the case of a corporation engaged solely in radio and television broadcasting, this rate of return is applied to its total assets. In the case of a corporation engaged in another business or businesses, the credit includes an average base period net income computed with respect to such other business or businesses. The House recedes with an amendment providing in all cases that the industry rate of return or the individual rate of

return, as the case may be, shall be applicable only to the assets of the corporation used in the television broadcasting business. The amendment also provides that the average base period net income computed in connection with the taxpayer's nontelevision business shall be only the average base period net income computed under section 435 (d) (relating to the general average of earnings during the base period); that the base period capital addition shall be allowable with regard to the taxpayer's nontelevision business; and that, in the case of corporations which first engaged in the television broadcasting business after the close of the base period and before January 1, 1951, the television assets against which the industry rate of return or the individual rate of return are to be applied shall be those held on the last day of the calendar month in which the corporation first engaged in the television broadcasting business.

The House amendment changes the provision in the Senate amendment for the elimination of duplication in the computation of a credit under this section by providing specifically the method to be used in eliminating such duplication. It is provided that if any portion of the television assets used in computing the television portion of the credit was acquired, directly or indirectly, by the use of assets attributable at any time during the base period to a business of the taxpayer other than television broadcasting, the excess profits net income with respect to such other business shall be properly adjusted by eliminating the portion thereof attributable to the assets used in the acquisition of the television properties for months prior to such acquisition. The excess profits net income attributable to such assets is determined by reference to the ratio of such assets to the total assets of the taxpayer other than properties used in television broadcasting.

Amendment No. 238: This amendment adds a base period commitment rule under section 444, which section provides for the computation of the average base period net income by applying a base period industry rate of return to the total assets of the taxpayer in case of an increase in capacity for production or operation occurring during the last 36 months of the base period. The House recedes with an amendment revising the Senate provision. As amended, the commitment rule provides that if, during the first taxable year ending after June 30, 1950, the taxpayer completed construction of a factory building or other manufacturing establishment (for example, an oil refinery), including the installation of the machinery or equipment for use in such factory building or such other establishment, such factory building or such other establishment and such machinery or equipment shall, for the purpose of determining whether there is an increase in capacity under the provisions of section 444 (b), but not for the purpose of computing the average base period net income under section 444 (c), be considered to have been added to its total facilities on the last day of its base period. The provision is applicable only if (A) the taxpayer, prior to the end of its base period, had completed construction work representing more than 40 percent of the total cost of construction of such factory building or such other establishment, and (B) the completion of such factory building or such other establishment was in pursuance of a plan to which the taxpayer was committed prior to the end of its base period.

Amendment No. 239: This amendment, for which there is no corresponding provision in the House bill, provides for the addition of a new part IV to subchapter D of the Internal Revenue Code dealing with the excess profits credit based on income in connection with certain taxable acquisitions before December 1, 1950. Under this amendment a "purchasing corporation" as defined in the part, would, in certain cases, obtain the use of the income experience of a "selling corporation" for the purpose of computing its excess profits credit. The House recedes with an amendment making changes for purposes of clarification and in order further to define the scope of application of the part.

The Senate amendment includes in the definition of a purchasing corporation any corporation which acquired substantially all of the assets of another corporation or of a partnership in a transaction other than a part II transaction. The amendment made by the House includes in this definition a corporation which has acquired substantially all of the properties of a business owned by a sole proprietorship. The definition in the Senate amendment also includes a corporation which acquired only part of the assets of another corporation in a transaction other than a part II transaction provided the properties acquired were substantially all the properties of a separate business of the other corporation and that such acquisition was in furtherance of a plan of complete liquidation by such other corporation. The purchase, under the same circumstances, of a separate business which constituted part of the assets of a partnership is added to the definition by the House amendment. The House amendment also deletes a provision which included in the definition of "purchasing corporation" a corporation which receives assets as paid-in surplus or as a contribution to capital from another corporation which had acquired those assets as a purchasing corporation.

This provision under the conference agreement will in general cover those cases in which assets constituting the whole of a separate business of "a selling corporation" were acquired from a corporation, sole proprietorship, or partnership. It does not cover an acquisition in a tax-free transaction, for example, a case in which a corporation is liquidated to its stockholders and they in turn place all or part of the assets in a new corporation in a tax-free transaction.

The House amendment makes clear that the part provides for the use by the purchasing corporation of an average base period net income computed only under section 435 (d) (the general average of earnings method), that, under the part, the deficits as well as the excess profits net income of the selling corporation for any month shall be reflected in the computation, and that the excess profits net income to which reference is made is that of the corporation in the case of an acquisition of substantially all of the assets of a selling corporation and is the portion thereof properly allocable to the business or businesses acquired in the case of an acquisition of only part of the assets, representing one or more separate businesses of a selling corporation.

The Senate amendment provides that, for part IV to apply, the selling corporation must, immediately after the transaction, discontinue all business activities and be completely liquidated in a transaction other than a part II transaction. The House amendment changes this requirement to provide that the selling corporation must

not have engaged in any business activities after the part IV transaction other than those incident to its complete liquidation and must, within a reasonable time after such cessation of business activities, have been completely liquidated (whether before or after the part IV transaction) in a transaction other than a part II transaction. Such liquidation must terminate the selling corporation's existence.

The Senate amendment further provides that the properties acquired in the part IV transaction must be substantially all of the properties which were used by the selling corporation (or by a component corporation of such selling corporation) in the operation of the business whose assets were acquired by the purchasing corporation. The House amendment provides that such properties must be those used by the selling corporation in the production of the excess profits net income or deficit therein which is used in the computation of the credit provided by this part.

The Senate amendment further provides that the business acquired in the part IV transaction must have been operated by the purchasing corporation from the date of such transaction to the end of the taxable year. The House amendment provides that such business must be operated by the purchasing corporation until the end of the taxable year unless transferred by it, during the taxable year, in a part II transaction to which the provisions of the new section 462 (b) (4) of the code are applicable.

The House amendment adds three special rules. The first provides that, for the purpose of the definition of a purchasing corporation, properties shall be deemed acquired from the selling corporation if they are purchased directly from the selling corporation or if they are purchased from its stockholders, provided such stockholders did not transfer them to the purchasing corporation in a part II transaction. This provision is applicable only in a case in which the selling corporation was first liquidated to its stockholders and the properties were forthwith sold by them to the purchasing corporation. The second special rule provides for the determination under regulations prescribed by the Secretary of all of the computations required by this part as if the business or businesses which were purchased from a partnership or sole proprietorship had been operated by a corporation. The third special rule is that in the case of the purchase of less than all of several businesses operated by a corporation or partnership, the amount of excess profits net income allocable to all or any number of the purchasing corporations or other persons receiving such properties upon the liquidation of the selling corporation shall not exceed 100 percent of the excess profits net income of the selling corporation. Thus, in a case in which a selling corporation has an excess profits net income for any month of $100 existing by reason of one of its businesses having an income of $300 and another having a loss of $200, the amount of the excess profits net income available to either or both of the parties receiving the two businesses shall not exceed $100 for such month.

The House amendment adds a new subsection (c) dealing with successive transactions and providing that if one part IV transaction succeeds another part IV transaction, the excess profits net income of the first selling corporation is not made available to the second purchasing corporation. The excess profits net income, however, of the first purchasing corporation is available to the second purchasing

corporation but, for that purpose, it must be computed without regard to the excess profits net income of the first selling corporation. It also provides that the excess profits net income of a selling corporation under this part includes the amount previously available to it under part II with respect to a previous part II transaction. Thus, where corporation A had previously merged with corporation B in a transaction described in section 461 (a), the purchase by corporation C of the assets of corporation B under the circumstances outlined in this part will make available to corporation C the excess profits net income (or deficit) of both corporations A and B, as determined under part II for corporation B for the period prior to the merger, as well as the excess profits net income of corporation B for the period after the merger.

The Senate amendment provided for the promulgation of rules by the Secretary, consistent with the principles of part II, for the application of this part. For the purpose of clarification, the conference agreement specifically provides for the promulgation of such rules with respect to (1) base period capital addition, (2) net capital addition or reduction, (3) excess profits net income, (4) duplication, and (5) the excess profits credit of the purchasing corporation for the taxable year in which the transaction occurs if such taxable year is a year which ended after June 30, 1950. It is also provided that the Secretary shall not apply the principles of certain specified provisions of part II.

It is not intended by this specific enumeration of principles to be followed by the Secretary that the general authority to prescribe rules for the application of this part shall be restricted except as specifically provided. Such regulations may include other principles appropriate to the determination of the computations provided by this part.

The Senate amendment contains technical amendments to the code, which technical amendments are revised by the House amendments. Included in these technical amendments as revised are provisions for the application of part II in cases where a corporation acquired in a part II transaction properties of a corporation which was a purchasing corporation in a previous part IV transaction. In general, the amendments provide that the income experience of the original selling corporation shall be used by the acquiring corporation in determining its average base period net income under section 435 (d) with reference to part II. For these provisions to be applicable, however, substantially all of the properties acquired in the part IV transaction (or replacements thereof in the ordinary course of business) must have been transferred in the part II transaction, or, if the part II transaction involved a component corporation which acquired the properties in a previous part II transaction, substantially all of the properties of such component corporation must have been acquired by the acquiring corporation. The business operated by the selling corporation must have been continuously operated by the acquiring corporation to the end of the taxable year, unless the business is transferred by the acquiring corporation during the taxable year in a part II transaction to which the provisions of section 462 (b) (4) are applicable. If the acquiring corporation obtained the properties in a part II transaction of the type described in section 461 (a) (1) (E) ("split-up"), the provisions of the following amendment to section 462 (i) (6) must be satisfied: Section 462 (i) (6) is amended to provide

that if the component corporation in the part II transaction was a purchasing corporation in a previous part IV transaction, and if section 462 (b) (4) is applicable, the allocation of the excess profits net income of the component corporation to the acquiring corporation must be based upon the earnings experience of the assets transferred rather than upon the fair market value rule of allocation provided in section 462 (i), this provision being applicable whether or not the other parties to the part II transaction agree to such an allocation. The technical amendments as revised further provide that section 463 and section 464, relating to capital changes of the acquiring corporation, shall be applied under regulations promulgated by the Secretary with respect to cases in which the part II transaction follows a part IV transaction.

Amendment No. 240: This amendment adds section 522 to the bill, for which there is no corresponding section in the bill as passed by the House. Section 522 adds bauxite to the list of minerals deemed strategic under section 450 (b) (1) of the code for the purpose of exempting from the excess-profits tax the portion of the adjusted excess profits net income attributable to the mining of such mineral. The House recedes with a clerical amendment.

Amendment No. 241: This amendment provides that, except as otherwise provided in section 510 of the bill, the amendments made by title V of the bill, as passed by the Senate, shall be applicable with respect to taxable years ending after June 30, 1950. The House recedes with amendments conforming to the conference agreement with respect to amendments Nos. 224 and 228. Accordingly, the amendments made by title V are applicable with respect to taxable years ending after June 30, 1950, except as otherwise provided in section 506 (d) of the bill (relating to base period capital additions of banks).

Amendments Nos. 242, 243, and 244: These amendments are clerical. The House recedes.

Amendment No. 245: This amendment deals with possible tax liability for taxable years beginning prior to January 1, 1951, in the case of certain organizations carrying on trades or businesses the profits of which were dedicated exclusively to exempt purposes. Specifically, this amendment adds to the list of feeder organizations covered by the House bill, those organizations all of the profits of which inure to the benefit of a hospital or to an institution for the rehabilitation of physically handicapped persons which maintains or is building for proper maintenance such a hospital or institution staffed or to be staffed by qualified professional persons for the treatment of the sick and/or the rehabilitation of the physically handicapped, or to an eleemosynary corporation under State law exempt under section 101 (6) of the Internal Revenue Code.

The House recedes with an amendment striking out the reference to "an eleemosynary corporation under State law exempt under section 101 (6) of the Internal Revenue Code," and with a clarifying amendment providing that no implication is to be drawn from the amendment as to the tax status for taxable years prior to 1951 of so-called feeder organizations not dealt with in section 302 of the Revenue Act of 1950 as amended.

Amendment No. 246: The House bill provided that the percentage of the average base period net income to be taken into account in

computing the excess-profits credit based on income shall be reduced from 85 percent of the average base period net income to 75 percent thereof. This reduction was effective, under the House bill, as of January 1, 1951. The Senate amendment struck this provision of the House bill. The House recedes with an amendment under which the percentage of the base period net income is reduced from 85 to 83 percent, effective January 1, 1952. Provision is made under the conference agreement for the case of a fiscal year beginning in 1951 and ending in 1952 so that a proportionate part of the decrease in the excess-profits credit will be reflected.

Amendment No. 247: This amendment, for which there is no corresponding provision in the House bill, amends sections 813 and 936 of the code to provide that, where property included for Federal estate tax purposes in the gross estate of a resident or citizen of the United States is situated in a foreign country and subjected to a death tax by such country, a credit shall be allowed against the estate tax for such foreign death tax. The amendment applies only with respect to estates of residents and citizens dying after the date of enactment of the bill.

The House recedes with clarifying amendments.

Amendment No. 248: This is a clerical amendment. The House recedes with a clerical amendment.

Amendment No. 249: This amendment, for which there is no corresponding provision in the House bill, amends section 863 (c) of the code to extend the estate tax exemption granted by that section with respect to works of art loaned by a nonresident alien to the National Gallery of Art, Washington, D. C., to works of art loaned to other public galleries or museums.

The House recedes with a clerical amendment.

Amendment No. 250: This amendment, for which there is no corresponding provision in the House bill, makes certain changes in section 939 of the code, relating to the estate tax treatment of certain members of the Armed Forces.

The amendment provides that the tax imposed by section 935 (the additional estate tax) shall not apply to the transfer of the net estate of a citizen or resident of the United States dying after June 24, 1950, and before January 1, 1954, while in active service as a member of the Armed Forces of the United States, if such decedent (1) was killed in action while serving in a combat zone, as determined under section 22 (b) (13), or (2) died at any place as a result of wounds, disease, or injury suffered, while serving in a combat zone (as determined under section 22 (b) (13)) and while in line of duty, by reason of a hazard to which he was subjected as an incident of such service.

The House recedes with a clerical amendment.

Amendment No. 251: This amendment, for which there is no corresponding provision in the House bill, adds a new section to the bill to provide that in the case of a decedent dying after March 18, 1937, and before February 11, 1939, the determination of whether property is included in the gross estate of the decedent as a transfer intended to take effect in possession or enjoyment at or after his death shall be made in conformity with the provisions of article 17 of Regulations 80, as amended by Treasury Decision 4729. The House recedes with a clerical amendment.

Amendment No. 252: This amendment, for which there is no corresponding provision in the House bill, amends section 7 (b) of Public Law 378, Eighty-first Congress (the Technical Changes Act of 1949). Section 7 (b) now provides that the provisions of section 811 (c) (1) (B) of the code, providing for inclusion in a decedent's estate of property transferred with reservation of rights in income, shall not be applicable to transfers made before March 4, 1931 (and, in some cases, before June 6, 1932), if the decedent died before January 1, 1950. Under the amendment, inapplicability of section 811 (c) (1) (B) is extended to estates of decedents dying before January 1, 1951. The House recedes with a clerical amendment.

Amendment No. 253: This amendment, for which there is no corresponding provision in the House bill, amends section 7 (b) of Public Law 378, Eighty-first Congress (the Technical Changes Act of 1949) to provide that the provisions of section 811 (c) (1) (C) of the code (relating to inclusion in gross estate of transfers intended to take effect in possession or enjoyment at or after death) shall not apply to transfers made before September 8, 1916. The effect of the last sentence of this section, which makes section 7 (c) of such public law inapplicable to overpayments resulting from the enactment of this section of the bill, is to limit refunds of such overpayments to those situations in which the refund is not prohibited by the statute of limitations or some other law or rule of law. The House recedes with a clerical amendment.

Amendment No. 254: This amendment, for which there is no corresponding provision in the House bill, permits the making of refund or credit of any overpayment resulting from the application of section 503 of the Revenue Act of 1950, if claim therefor is filed within 1 year from the date of enactment of the bill, even though the making of such refund or credit is otherwise prohibited by the statute of limitations or any other law or rule of law (other than sec. 3760 or 3761 of the code which relate, respectively, to closing agreements and compromises). The effect of section 503 of the Revenue Act of 1950 was to provide that proceeds of life insurance policies attributable to premiums paid on or before January 10, 1941, should not be included in the gross estate of the insured person for estate tax purposes by reason of the fact that the premiums were paid by him, unless on January 10, 1941, or thereafter he had substantial rights in the life insurance policy. The House recedes with an amendment providing that claim for credit or refund must be made after October 25, 1949, and on or before October 25, 1950.

Amendment No. 255: This amendment, for which there is no corresponding provision in the House bill, provides that in the case of the award made on December 4, 1950, by the Interstate Commerce Commission as retroactive compensation for the transportation of mail, such compensation shall be deemed to be income which accrued in the taxable year in which the services to which such compensation relates were rendered. It is provided that no interest shall be assessed for deficiencies created by the inclusion of such income in prior years and that the period for assessment and collection of such deficiencies shall be extended to the date closing the period for assessment and collection for the taxable year of the taxpayer which includes December 4, 1950. The amendment also amends section 292 of the code to provide that in the case of retroactive mail payments, if such payments are

required to be included in income in the year or years in which the mail was carried, no interest shall be due with respect to deficiencies resulting from such inclusion for any period prior to 30 days after the award of payment is granted. The House recedes with a clerical amendment.

Amendment No. 256: This amendment, for which there is no corresponding provision in the House bill, adds to the bill a new section 611 which provides with respect to certain taxable years a special rule to be followed whereby in the computation of corporation surtax net income certain amounts received as dividends on the preferred stock of a public utility will not be disregarded in computing the credit for dividends received.

Section 116 (a) of the Revenue Act of 1943 so amended section 26 (n) (1) of the Internal Revenue Code that, in the computation of the credit for dividends paid on the preferred stock of a public utility, amounts distributed in the current taxable year with respect to dividends unpaid and accumulated in any taxable year ending prior to October 1, 1942, were to be excluded from the amount of dividends paid on its preferred stock during the taxable year. The 1943 act did not contain a conforming amendment so that in the computation of corporation surtax net income the 85-percent credit for dividends received would always be allowed with respect to such amounts as were to be excluded in computing the credit for dividends paid on the preferred stock of a public utility.

Pursuant to new section 611, in the case of taxable years beginning before April 1, 1951, the 85-percent credit for dividends received will be allowed in the computation of corporation surtax net income with respect to those amounts which are to be excluded in computing the credit for dividends paid on the preferred stock of a public utility. In the case of the calendar year 1951 and taxable years beginning after March 31, 1951, see the amendments made to section 26 (b) of the code by section 122 of the bill (amendment No. 8). The House recedes with a clerical amendment.

Amendment No. 257: This amendment, for which there is no corresponding provision in the House bill, provides that if an affiliated group making a consolidated return with respect to the first taxable year of the group ending after June 30, 1950, included a corporation described in section 454 (f) of the code, pursuant to the consent provided in section 141 (e) (7) of the code, such corporation may withdraw such consent at any time within 90 days after the enactment of the Revenue Act of 1951. If such consent is withdrawn under this provision, the tax liability of the affiliated group and its several members for the taxable year shall be determined, assessed, and collected as if such corporation had never joined in the making of the consolidated return. The House recedes with a clerical amendment.

Amendment No. 258: This amendment, for which there is no corresponding provision in the House bill, adds to the bill a new section 613 pursuant to which the due date for filing income tax returns of, or for paying the income tax by, China Trade Act corporations for any taxable year beginning after December 31, 1948, and ending before October 1, 1953, shall be not later than December 31, 1953. The due date thus prescribed shall apply, however, only with respect to any such corporation and any such taxable year as the Secretary of the Treasury, pursuant to such regulations as he may prescribe, may

determine to be reasonable in view of circumstances in China. New section 613 recognizes that certain China Trade Act corporations, despite the situation existing in China, are fully able to comply with requirements of existing law as to the time for filing returns and paying the tax.

The due date of December 31, 1953, hereby prescribed is subject to the power of the Secretary to extend, as in other cases, the time for filing returns or paying the tax. The House recedes with a clerical amendment.

Amendment No. 259: This amendment, for which there is no corresponding provision in the House bill, adds a new section which provides that no amendment made by the bill shall apply in any case where its application would be contrary to any treaty obligation of the United States. The House recedes with a clerical amendment.

Amendment No. 260: This is a clerical amendment. The House recedes with a clerical amendment.

Amendment No. 261: This amendment, for which there is no corresponding provision in the House bill, extends for 4 months the date on or before which a claim for net renegotiation rebates arising under the World War II Renegotiation Act may be filed. Section 201 (c) of the Renegotiation Act of 1951, approved on March 23, 1951, sets the expiration date as June 30, 1951. This amendment extends such date to October 31, 1951. The House recedes with a clerical amendment.

Amendment No. 262: This amendment, for which there is no corresponding provision in the House bill, adds to the bill a new section relating to prohibition upon the denial of payments by the Federal Government to a State under title I, IV, X, or XIV of the Social Security Act. These titles relate to grants by the Federal Government to States for aid to needy aged individuals, needy dependent children, needy blind individuals, and needy permanently and totally disabled individuals, respectively. The Federal Government and the States share the cost of these assistance programs. A State is not entitled to payments from the Federal Government unless the State plan for assistance has been approved by the Federal Security Administrator. Under existing law a State assistance plan in order to be approved must, inter alia, provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of the assistance program. The Senate amendment provides that no State or any agency or political subdivision thereof shall be deprived of any grant-in-aid or other payment to which it otherwise is or has become entitled pursuant to title I, IV, X, or XIV of the Social Security Act by reason of the enactment or enforcement by such State of any legislation prescribing any conditions under which public access may be had to records of the disbursement of any such funds or payments within such State. The House recedes with an amendment which imposes a condition that the State legislation providing public access to the records of disbursement must prohibit the use of any list or names obtained through such access to such records for commercial or political purposes.

Under this amendment, as agreed to by the conferees, the State of Indiana, which has a law which permits public access to the records of disbursements of public welfare funds but which contains, inter alia, a prohibition upon the use of any lists or names so obtained for

commercial or political purposes of any nature, will be entitled to receive its payments under the Social Security Act in the future and will also be entitled to receive any such payments which have been withheld because of the enactment and enforcement of the Indiana law.

Amendment No. 263: This amendment, for which there is no corresponding provision in the House bill, amends the provisions of existing law which provide the President, the Vice President, the Speaker of the House, and the Members of Congress an expense allowance which is tax-exempt and for which no accounting is made. Under this amendment, the President would receive $150,000 a year for his services, instead of the $100,000 plus the $50,000 tax-exempt expense allowance he now receives. Under existing law, the President neither pays tax on nor accounts for this $50,000. Under this amendment, $50,000 would be added to his compensation and his $50,000 tax-exempt expense allowance would be eliminated. Likewise, the salary of the Vice President, and that of the Speaker of the House, would be increased by $10,000 and his $10,000 tax-exempt expense allowance would be eliminated. And, similarly, the salary of each Member of Congress would be increased by $2,500 and his $2,500 tax-exempt expense allowance would be eliminated. This amendment would become effective, with respect to the President, on January 20, 1953, and with respect to the Vice President, the Speaker, and Members of Congress, on January 3, 1953.

The House recedes with an amendment which eliminates the provisions of the Senate amendment increasing the compensation of the President, the Vice President, the Speaker of the House, and the Members of Congress but which removes the tax-exempt status of the expense allowances of such officials. The expense allowance provided the President by section 102 of title 3 of the United States Code and that provided the Vice President by section 111 of title 3 of the United States Code shall be taxable on and after January 20, 1953; the expense allowance provided the Speaker of the House by subsection (e) of the first section of Public Law 2, Eighty-first Congress, approved January 19, 1949, and that provided each Member of Congress by section 601 (b) of the Legislative Reorganization Act of 1946 (Public Law 601, 79th Cong.) shall be taxable on and after January 3, 1953. The President, the Vice President, the Speaker of the House, and each Member of Congress will be required to account for such expense allowances insofar as is necessary for the purpose of deducting such expenses for income-tax purposes.

Amendment No. 264. This amendment struck out the table of contents to the bill and inserted a new table of contents conforming to the amendments to the bill made by the Senate. The House recedes with an amendment to conform the table of contents to the action of the conference committee.

R. L. DOUGHTON,
JERE COOPER,
JOHN D. DINGELL,
W. D. MILLS,
THOMAS A. JENKINS,
RICHARD M. SIMPSON,
Managers on the Part of the House.

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